

Police and Fire Pension Lincoln, Nebraska

Dear Pension Member:

Enclosed is your 1998 pension statement and an estimate of your normal age and service retirement benefits. The statement shows your account's activity and the beneficiary(s) you have chosen. If no beneficiary(s) is listed, your spouse (if any) is automatically your primary beneficiary. The benefit estimate assumes a 3% annual salary increase and a 7% annual return rate on assets. To aid you in financial planning, benefit estimates for any future separation date are available at no charge. The benefit estimates were improved to include longevity pay and informative text. We are working toward allowing pension members secure access to their own account data and to run their own benefit estimates from the City's intranet and the internet.

Also enclosed is a "Summary Annual Report" (or SAR) created by Gabriel Roeder Smith and Company, an independent actuarial firm. The SAR provides a concise financial picture of the pension and a brief description of benefits. Please take a moment to review the SAR.

Below are summary figures on members and benefit payments.

	1995	1996	1997	1998
Active Member Count	538	564	571	590
Pensioned Member Count	256	252	271	272
Regular Pension Benefits Paid	\$2,205,636	\$2,859,243	\$3,167,354	\$3,228,499
COLA Benefits Paid	\$169,149	\$184,606	\$190,722	\$205,246

One of the projects completed in 1998 was revising Fire Fighter pay according to the Commission of Industrial Relations (CIR Case 901) decision. Back pay pension benefits were calculated and paid to retired members affected by the decision.

In 1997, the pension changed to market value accounting. In 1998, the pension changed from crediting interest annually to crediting interest monthly. This action required an ordinance change, purchasing new computer software, replacing an old computer, obtaining a reliable vendor for monthly market valuations and numerous changes to the mainframe pension system.

Perhaps the most gratifying accomplishment to date is the excellent financial condition of the pension. We are always watchful to maintain this status. One factor impacting the pension's financial health is the City contribution to it. After years of diligent effort, Pension Administration convinced the City to increase its pension funding. In September 1998, the City doubled its annual pension funding and \$200,000 annual increases are budgeted for each of the next 4 years pending City Council approval.

Another area of financial health is asset allocation. Like our efforts regarding the City's pension contribution, we have been working to move toward our preferred asset allocation of 30% equity and 70% debt. This is the allocation that has historically provided the highest return/risk relationship.

According to a retirement confidence survey published by the Employee Benefit Research Institute (EBRI), 36% of working people are not saving money specifically for retirement. The top five reasons the other 64% save is because they:

- Saw people not prepare and then struggle in retirement
- Realized accumulation time was running out
- Had a retirement plan or other means of savings through work
- Incurred a family event, like marriage or birth of a child
- Were advised to do so by a financial planner

According to the EBRI, workers have six distinct attitudes toward retirement:

- **Deniers (10%):** Say retirement is far away and preparing for it takes too much time and effort. They tend to be low income, older and risk averse. 40% save for retirement.
- **Strugglers (9%):** Say they are raising families and save money left over after paying bills. They tend to be middle income and middle age with a high school education. 40% save for retirement.
- **Impulsives (20%):** Say they should plan and save, but buy things instead. They believe a comfortable retirement is achievable with a little planning and savings. They plan to work during retirement. 50% save for retirement.
- **Cautious Savers (21%):** Say they put aside something each month and hope it will be enough. A high proportion are divorced and supporting children. They are more risk averse than Planners. 60% save for retirement.
- **Planners (23%):** Say a comfortable retirement is achievable and they are disciplined savers. Most have tried to plan for retirement. This group has more men and college graduates than other groups. 81% save for retirement.
- **Retiring Savers (17%):** Say they have been disciplined savers, but not aggressive investors. They tend to be age 55 or older, debt-free and have average education. 84% save for retirement.

The City of Lincoln offers payroll deduction savings programs for U.S. Savings Bonds, The Credit Union, Deferred Compensation, Mutual Funds and the Roth IRA. Please plan for your financial future. I wish all of you and your families the best in 1999. Please call me (441-7879), or my assistant Paul Lutomski (441-8749), for more information on any of the topics mentioned in this letter or for any of your pension needs.

Respectfully,

John E. Cripe
Compensation Manager